

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
SECURITIES DIVISION

IN THE MATTER OF DETERMINING
Whether there has been a violation of
the Securities Act of Washington by:

Larry D. Gordon (formerly Larry D. Mosley)
The Gordon Group International, Inc.
Lo-Go Systems, Inc.

Respondents

SDO - 35 - 00

STATEMENT OF CHARGES AND NOTICE OF
INTENTION TO ENTER ORDER TO CEASE AND
DESIST

Case No. 98-10-313

THE STATE OF WASHINGTON TO:

Larry D. Gordon
Gordon Group International, Inc.
Lo-Go Systems, Inc.

STATEMENT OF CHARGES

Please take notice that the Securities Administrator of the State of Washington has reason to believe that the Respondents herein have each violated the Securities Act of Washington and that their violations justify the entry of an order of the Securities Administrator under RCW 21.20.390 to cease and desist from such violations. The Securities Administrator finds as follows:

TENTATIVE FINDINGS OF FACT

I. RESPONDENTS

A. The Gordon Group International, Inc. ("GGI") was a Washington corporation until its dissolution on November 30, 1997. GGI's business address was P.O. Box 77657, Seattle, Washington 98177.

B. Lo-Go Systems, Inc. ("Lo-Go Systems") was a Washington corporation until its dissolution on October 6, 1998. Lo-Go Systems' business address was 6302 St. Albion Way, Suite #108, Mt. Lake Terrace, Washington 98043.

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1 C. Larry D. Gordon (formerly Larry D. Mosley) owned and controlled GGI and Lo-Go Systems at all
2 times relevant to the matters discussed herein.

3 II. NATURE OF THE OFFERING

4 A. The Gordon Group International, Inc. was incorporated on November 25, 1996. On November 26,
5 1996, Larry D. Gordon began offering and selling shares of GGI common stock.

6 B. Gordon told prospective investors that he formed GGI to act as a holding company for his
7 personal interest in several start-up businesses. According to Gordon, by purchasing shares of GGI stock,
8 investors could participate in the following business ventures: "Joey Juicer", a company trying to market a
9 newly designed baby-bottle; "Lo-Go Systems, Inc.", a company planing to develop a trailer system for towing
10 vehicles; and "NewMac International, Inc.", a high-tech film production company. Gordon did not provide
11 investors with any proof of his ownership in these businesses.

12 C. Some investors were given written information about GGI and the stock offering before they
13 invested. This information indicated that GGI was offering stock at \$1.00 per share in order to raise "bridge
14 capital" which would be used to conduct its operations. As an incentive to invest, the company promised to
15 return investor funds within 30 days and permit them to keep their shares of stock. This promise, according to
16 the documents, made GGI stock a "risk-free" investment.

17 D. Gordon told investors that GGI was planning to conduct an initial public offering of its stock in
18 the near future. At that time, the shares were supposed to increase in value to approximately \$18 to \$20 each
19 and early investors would then realize enormous profits.

20 E. Although Gordon promoted investment in GGI common stock, at least one investor actually
21 received stock issued by Lo-Go Systems, Inc. This investor was part of a group of businesspeople who met
22 once a week to network and promote their respective businesses. Gordon joined this group and later invited its
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1 members to invest in his companies. He made substantially identical representations about the stock to each
2 member of the group. However, at the time of purchase, one member of the group received a "prospectus" and
3 stock certificate from Lo-Go Systems, Inc. The others each received GGI stock certificates.

4 F. None of the investors received financial statements prepared in accordance with generally
5 accepted accounting principles for Gordon's companies or for any of the companies GGI supposedly owned an
6 interest in. Gordon did, however, provide some investors with pro forma operating statements for Lo-Go
7 Systems and NewMac International. According to these statements, NewMac would generate income of
8 \$15,800,000 per month and Lo-Go Systems would earn at least \$14,233,000 per year. GGI investors would
9 then share in this income through quarterly dividends and capital gains.

10 G. Gordon did not provide investors with any factual basis to support the figures contained in the pro
11 forma statements. Instead, the information he provided served only to distract investors and to mislead them
12 regarding the true nature of their investment.

13 H. Gordon failed to disclose the risks associated with investing in his companies. He did not explain
14 to investors that these companies were in the development stage and lacked any proven ability to generate sales
15 or profits. Gordon failed to provide any means for determining whether the companies were adequately
16 capitalized and/or able to compete in their respective markets. Gordon did not tell investors whether a market
17 for the proposed products existed and, if so, with whom each company would compete. Finally, Gordon did
18 not supply investors with a business plan identifying the specific milestones that would have to be reached in
19 order for each company to become profitable.

20 I. None of the investors interviewed by the Securities Division were repaid at the end of the initial
21 30 day period as promised. Gordon has since changed locations at least twice and some investors have been
22 unable to contact him. Two investors, after considerable time and effort, managed to recover their original
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1 investment. Other investors have demanded the return of their money and are still awaiting repayment.

2 J. Over a period of approximately two years, Gordon sold stock to at least eight individuals in a total
3 amount of at least \$13,500. The Securities Division is continuing to investigate the scope of Gordon's sales
4 activity and whether other companies were involved.

5 **III. REGISTRATION STATUS**

6 A. The Gordon Group International, Inc. is not currently registered to sell its securities in the state of
7 Washington and has not previously been so registered.

8 B. Lo-Go Systems, Inc. is not currently registered to sell its securities in the state of Washington and has
9 not previously been so registered.

10 C. Larry D. Gordon (Larry D. Mosley) is not currently registered as a securities salesperson or broker-
11 dealer in the state of Washington and has not previously been so registered.

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14 Based upon the above Tentative Findings of Fact, the following Conclusions of Law are made:

15 **CONCLUSIONS OF LAW**

16 I.

17 The offer and/or sale of the stock described above constitutes the offer and/or sale of a security as defined
18 in RCW 21.20.005(10) and (12).

19 II.

20 The offer and/or sale of stock issued by Gordon Group International, Inc. and Lo-Go Systems, Inc.
21 violated RCW 21.20.140 because sales were made while no valid registration and no valid claim of exemption
22 for such offers and/or sales existed.

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III.

Larry D. Gordon (Larry D. Mosley) has violated RCW 21.20.040 by offering and/or selling said securities while not registered as a securities salesperson or broker-dealer in the state of Washington.

IV.

The offer and/or sale of said securities was made in violation of RCW 21.20.010 because, as set forth above, Respondents failed to provide investors with information necessary to make their statements, in light of the in which they were made, not misleading.

AUTHORITY AND PROCEDURE

This STATEMENT OF CHARGES AND NOTICE OF INTENTION TO ENTER ORDER TO CEASE AND DESIST is entered pursuant to the provisions of RCW 21.20.390 and is subject to the provisions of ch. 34.05 RCW. Respondents may each make a written request for a hearing as set forth in the NOTICE OF OPPORTUNITY TO DEFEND AND OPPORTUNITY FOR HEARING accompanying this order. If a respondent does not request a hearing, the Securities Administrator intends to adopt the Tentative Findings of Fact and Conclusions of Law set forth above as final as to that respondent. Based upon the Tentative Findings of Fact and Conclusions of Law set forth above, the Securities Administrator intends to order that the Respondents, their agents, and employees permanently cease and desist from violations of RCW 21.20.010, RCW 21.20.040, and RCW 21.20.140.

DATED this 22nd day of March, 2000.


DEBORAH R. BORTNER
Securities Administrator

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Presented by:

Steven Raney
Securities Examiner

Approved by:

Michael E. Stevenson
Chief of Compliance

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